

# SDRS Outlook

Membership Newsletter • January 2020

## COLA Effective July 1, 2020 to Equal Inflation at 1.56 Percent

The South Dakota Retirement System (SDRS) Board of Trustees took action at its December 2019 meeting to establish the annual cost-of-living adjustment—also known as the COLA—that will be effective July 1, 2020, for eligible benefit payments.

South Dakota Codified Law defines the process for determining the annual COLA. Since 2017, this process has been tied to the rate of inflation, but is also limited to what can be afforded on an on-going basis. The COLA payable each year is equal to the percent increase in the third calendar quarter Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior year, but can be no less than 0.5 percent and no greater than 3.5 percent.



However, if SDRS is less than 100 percent funded, the maximum COLA is restricted to the percentage that brings the system back to a fully-funded status, indicating a COLA that is affordable over the long-term.

The increase in the CPI-W this last year was 1.56 percent. The results of the June 30, 2019, actuarial valuation calculated a restricted maximum COLA of 1.88 percent to keep SDRS at 100 percent funded.

**This means that the July 2020 COLA increase will be 1.56**

**percent, which equals the rate of inflation and meets the Board's goal for maintaining the purchasing power of SDRS benefits.**

## 2020 Legislative Session Began January 14

The SDRS Board of Trustees finalized its legislative proposals at its December 2019 meeting. The proposals will be introduced by the Retirement Laws Committee for consideration during the 2020 Legislative Session.

### Senate Bill 32: Family and Surviving Spouse Benefit Commencement

This bill aligns the commencement of family and surviving spouse benefits more closely with the commencement of other benefits administered by SDRS.

If an active contributing member dies, a family benefit may be payable on behalf of the member's eligible dependent children. Family benefit payments will commence the month after final contributions are received by SDRS.

If an active contributing member dies and the member had attained normal retirement age, an eligible surviving spouse will begin receiving a surviving spouse benefit the month after final contributions are received by SDRS.

If a retired member drawing an SDRS benefit dies, an eligible surviving spouse will begin receiving a surviving spouse benefit the month after the member's death.

### Senate Bill 34: Qualified Benefit Preservation Arrangement

The Internal Revenue Code (IRC) 415(b) imposes a dollar limit on the benefit amount SDRS can pay from its tax-qualified trust fund. A member's benefit amount is limited to the lesser of the SDRS benefit or the IRC 415(b) limit. The IRC 415(b) limit applies to retirements at age

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# 2020 Legislative Session Began January 14...Continued

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62 and later and is actuarially reduced for retirements before age 62. The IRC 415(b) annual benefit maximum for 2020 is \$230,000.

A very few SDRS retired and active members have contributed on large salaries for many years and have earned, or are expected to earn, benefits that exceed the IRC limit. For those members, the IRC allows SDRS to establish a Qualified Benefit Preservation Arrangement (QBPA) to preserve benefits that are restricted by the IRC 415(b) limit. The proposed QBPA permits the payment of a portion of the SDRS benefit amount that exceeds the limit in certain circumstances.

Senate Bill 34 will not increase the contributions to SDRS and will result in a small reduction to the cost savings SDRS realizes from the imposition of the IRC benefit limits. It will not meaningfully impact SDRS' funded status.

## Senate Bill 31: Provision "Clean Up"

This bill revises certain provisions and repeals others to more accurately reflect SDRS' administrative practices:

- Updates confidentiality of records to include the SDRS Supplemental Retirement Plan and Special Pay Plan;
- Removes the restriction on investment of assets in venture capital; however, the restriction on social investment remains;

- Clarifies classified members are included in the system, the employee voting requirement for employers joining SDRS, and from whom contributions are required;
- Requires the use of projected compensation for the calculation of family and surviving spouse benefits for members who were disabled or died prior to July 1, 2015;
- Repeals tax-deferred purchases as they are no longer permissible; however, trustee-to-trustee transfers remain an option for purchasing service.

## SDRS is Also Following Senate Bill 9

The Department of Labor and Regulation (DLR) has proposed to consolidate the DLR Employee Retirement Plan into SDRS. At its December meeting, the SDRS Board of Trustees voted to support this legislation.

The DLR Employee Retirement Plan is fully funded and has a total of 199 members. These members would remain under their existing benefit structure except for the COLA, which would follow SDRS' structure. If future SDRS corrective action is required, it is anticipated that the corrective action for these members would be limited to reducing or eliminating the COLA.

This proposal, if passed, would not have any material actuarial impact to SDRS because the DLR Employee Retirement Plan is fully funded.

## SDRS Board News

At its December 2019 meeting, the SDRS Board of Trustees recognized two retiring board members: Kathy "KJ" Peterson and Laurie Gill. Ms. Peterson had served on the board as the county employee representative since 1997. Her position will be filled through the 2020 election process. Ms. Gill, a Governor's appointee, had served on the board since 2013.

Darin Seeley was selected by Governor Kristi Noem to serve on the SDRS Board of Trustees as a Governor's appointee, replacing Laurie Gill. Mr. Seeley is the Commissioner of the Bureau of Human Resources for the State of South Dakota.

As noted, the 2020 Board of Trustees election will be held this spring. Four positions are up for election; specifically,

the elections will determine the representatives of the following groups: Board of Regents employees, school boards, state employees, and county employees. Notices of Election were circulated last month to the employers of these membership groups.



**Darin Seeley**  
Governor's Appointee

Petitions for Nomination can be obtained from the SDRS office. Petitions are due in the SDRS office no later than 5:00 PM (CST) on February 24, 2020. In late April, election packets will be mailed out to the four membership groups eligible to vote.

Additional information regarding the SDRS Board of Trustees can be found under the "About SDRS" tab on the SDRS website, [sdrs.sd.gov](https://sdrs.sd.gov).

# SDRS Travel Schedule

## INDIVIDUAL RETIREMENT COUNSELING SCHEDULE

DATE	LOCATION	ADDRESS	30-MINUTE SESSION TIMES AVAILABLE
02/04/2020	Mission, Administration Building	School Campus	2:00—8:00 PM
02/11/2020	Rapid City (other than school employees), Hilton Garden Inn	815 E Mall Drive	2:00—8:00 PM
02/12/2020	Rapid City (other than school employees), Hilton Garden Inn	815 E Mall Drive	8:00 AM—8:00 PM
02/19/2020	Lake Andes, Community Building	207 Main Street	2:00—8:00 PM
02/24/2020	Sturgis, Community Center Theater	1401 Lazelle Street	2:00—8:00 PM
02/25/2020	Sturgis, Community Center Theater	1401 Lazelle Street	8:00 AM—8:00 PM
03/24/2020	Faulkton, City Hall	105 8th Avenue N	2:00—8:00 PM
04/01/2020	Sisseton, NESDCAP	104 Ash Street E	2:00—8:00 PM
04/08/2020	Flandreau, Mad Mary's	306 N Veterans Avenue	2:00—8:00 PM
04/21/2020	Lemmon, Dakota Lodge	5 10th Street E	2:00—8:00 PM

Planning for your retirement is important. Call the SDRS office toll-free at 1-888-605-SDRS (7377) to schedule an appointment with a retirement planner or discuss your retirement plans via telephone.

## PRE-RETIREMENT PLANNING WORKSHOPS & RETIREE FORUMS

DATE	LOCATION	ADDRESS	TIME
04/29/2020	Rapid City, Hilton Garden Inn	815 E Mall Drive	Forum: 3:00—4:00 PM Workshop: 5:30—8:00 PM

## EARLY & MID-CAREER WORKSHOPS

DATE	LOCATION	ADDRESS	TIME
02/05/2020	Spearfish, Holiday Inn	I-90 Exit 14	<b>At Each Location</b>
03/02/2020	Sioux Falls, Holiday Inn City Centre	100 W 8th Street	6:00—8:00 PM
03/10/2020	Aberdeen, Dakota Event Center	720 Lamont Street	
03/31/2020	Pierre, RedRossa Italian Grille	808 W Sioux Avenue	

## WOMEN & FINANCIAL PLANNING WORKSHOPS

DATE	LOCATION	ADDRESS	TIME
02/04/2020	Watertown, Watertown Event Center	1901 9th Avenue SW	<b>At Each Location</b>
03/24/2020	Mitchell, Highland Conference Center	2000 Highland Way	5:15—7:30 PM
04/14/2020	Yankton, Kelly Inn	1607 E Highway 50	
04/21/2020	Aberdeen, Dakota Event Center	720 Lamont Street	

To register for a workshop or forum, visit [sdrs.sd.gov](https://sdrs.sd.gov) or call 1-888-605-SDRS (7377).



## South Dakota Retirement System

P.O. Box 1098  
Pierre, SD 57501

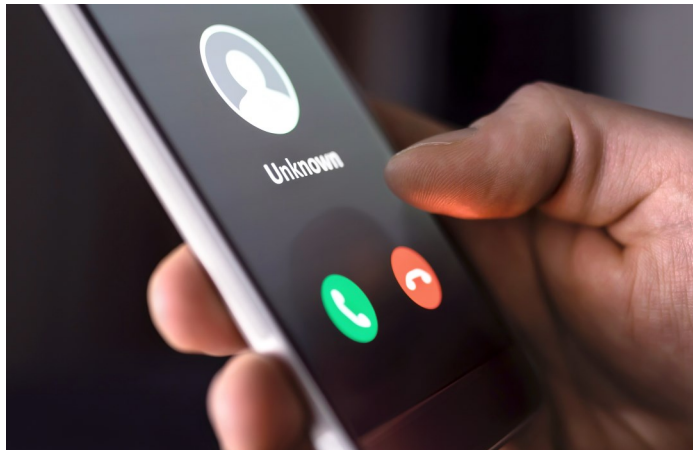
# Stay Alert: Protect Yourself and Your Money

Millions of people are targeted by financial scams every year. Everyone is at risk. Scammers are constantly finding new tactics to try to steal your identity and your money. It is important to be vigilant in safeguarding your personal information. Here are a few actions you can take to better protect yourself from fraudulent activity:

- Hang up on robocalls. If you answer a phone call and hear a recorded message, hang up and report it to the Federal Trade Commission. A robocall trying to sell you something is illegal unless a company has your written permission to contact you in this manner.
- Don't trust your caller ID. Scammers can clone any phone number: the IRS, a business, a bank, a government agency, even your own phone number. If the caller asks for personal or financial account information, hang up. In cases where you feel the call may be legitimate, call back to a phone number you

know is genuine—not the number the caller gave you.

- Never give out your financial or personal information over the phone unless you initiated the call and are certain you know who you are talking to and that there is reason to disclose such information.
- Invest in a paper shredder. Shred all receipts and statements containing account numbers or personal information. Also shred any credit card offers you receive in the mail.
- Regularly check your credit card and bank statements. Review your Medicare statements, if applicable. Report any fraudulent transactions. Monitor your credit report for unusual activity and errors.
- Many online resources exist to provide important information to help protect consumers, including:  
SD Consumer Protection: <https://consumer.sd.gov/>  
Federal Trade Commission: <https://www.ftc.gov/>



*The information presented in Outlook is neither a legal reference nor a complete statement of South Dakota laws or administrative rules. In any conflict between this information and South Dakota laws or administrative rules, the laws and administrative rules shall prevail.*

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